

Taffey

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-375-W - ORDER NO. 91-74 ✓
FEBRUARY 13, 1991

IN RE: Application of Duke Power)
Company for Approval of a)
New Schedule of Rates and) ORDER APPROVING
Charges for Water Service) RATES AND CHARGES
Provided to Customers In)
and Around the City of)
Anderson, South Carolina.)

This matter comes before the Public Service Commission of South Carolina (hereinafter "the Commission") by way of the Application of Duke Power Company (hereinafter "the Company"), filed on August 20, 1990, whereby the Company sought certain relief in the nature of the approval of new schedules of rates and charges for water service provided to its customers in and around the City of Anderson, South Carolina.

The application was filed pursuant to S.C. Code Ann., §58-5-240 (Cum. Supp. 1990) and R.103-821 of the Commission's Rules of Practice and Procedure. The Company, by its letter of June 26, 1990, gave notice of its intention to file this Application pursuant to the provisions of §58-5-240, supra.

By letter dated August 29, 1990, the Commission's Executive Director instructed the Company to cause to be published a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of

Filing indicated the nature of the Company's Application and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Company was likewise required to notify directly all customers affected by the proposed rates and charges. The Company furnished affidavits demonstrating that the notice had been duly published in accordance with the instructions of the Executive Director and certified that a copy of the notice had been mailed to each customer affected by the rates and charges proposed in the Company's Application. A Petition to Intervene was filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

According to Duke's Application, the proposed rates and charges would increase revenue by approximately \$322,964. The Company's presently authorized rates and charges were approved by Order No. 86-506 issued on May 15, 1986, in Docket No. 85-568-W, except for Rate Schedule 12. Rate Schedule 12 was approved by the Commission on June 20, 1989, Order No. 89-627, Docket No. 88-710-W. The Company is not seeking any increase in Rate Schedule 12.

The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. The Consumer Advocate likewise conducted its discovery in the rate filing of Duke.

A public hearing relative to the matters asserted in the Company's Application was commenced in the Offices of the

Commission on December 13, 1990, at 10:30 a.m. in the Commission's Hearing Room. Pursuant to §58-3-95, S.C. Code of Laws (Cum. Supp. 1990), a panel of three Commission members composed of Commissioners Fuller, Mitchell and Butler were designated to hear and rule on this matter. William L. Porter and W. Wallace Gregory, Jr., represented the Company; Carl F. McIntosh, represented the Consumer Advocate; and Sarena D. Burch, Staff Counsel, represented the Commission Staff.

Presenting testimony on behalf of the Company were Robert W. Davis, Manager, Cost Allocation, Rate Department; J. Michael Snow, Superintendent, Anderson Water Operations, Duke Power Company; and Don T. Stratton, Manager, Regulatory Affairs. Presenting testimony on behalf of the Commission Staff were Sharon G. Scott, Accountant, Accounting Department, Administration Division; and Raymond C. Sharpe, Public Utilities Rate Analyst, Utilities Division.

The Company provides retail water service to residential, commercial, and industrial customers in the City of Anderson and the urban areas around the city limits. In addition, it offers water for resale to several rural water districts and nonprofit corporations created pursuant to S.C. Code Ann., §55-35-10, et seq. (1976) and financed by federal loans, the towns of Clemson and Pendleton, and Clemson University. The findings of fact contained herein reflect only revenue, expenses, and rate base amounts allocated to Anderson Water Operations. These allocated amounts have the effect of excluding sales to the Towns of Pendleton, Clemson and sales to Clemson University.

II.

FINDINGS OF FACT

Based upon the Application, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. That Duke Power Company is a water utility providing water service in its service areas within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann., §58-5-10, et seq. (1976), as amended.

2. That the appropriate test period for the purpose of this proceeding is the twelve-month period ending December 31, 1989.

3. That the Company is seeking an increase in its rates and charges for water service of \$323,733.

4. That the appropriate operating revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments are \$3,993,068.

5. That the appropriate operating revenues under the approved rates are \$4,316,801 which reflects an increase in operating revenues of \$323,733.

6. That the appropriate operating expenses for the Company for the test year under its present rates and after accounting and pro forma adjustments are \$3,084,698.

7. That the appropriate operating expenses under the approved rates are \$3,210,870.

8. That the Company's reasonable and appropriate federal and state income tax expense should be based on the use of a 34% federal tax rate and a 5.0% state tax rate, respectively.

9. That the Company's appropriate level of net operating income for return after accounting and pro forma adjustments and prior to rate relief is \$911,022.

10. That the appropriate net income for return under the rates approved and after all accounting and pro forma adjustments is \$1,109,160.

11. That a year end, original cost, rate base of \$11,575,973, consisting of the components set forth in Table B of this order, should be adopted.

12. That an operating margin of 25.69%, a return on rate base of 9.58% and a return on common equity of 10.57% is produced by the revenue approved in Finding of Fact No. 15.

13. That the rate designs and rate schedules approved by the Commission and the modifications thereto as described herein are appropriate and should be adopted.

14. That the rates and charges depicted in Appendix A, attached herein, and incorporated by reference, are approved and effective for service rendered on and after the date of this Order.

III.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1

The evidence supporting this finding concerning the Company's business and legal status is contained in the Company's Application and in prior Commission Orders in the docket files of which the

Commission takes notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 2 AND 3

The evidence for these findings concerning the test period and the amount of the revenue increases requested by the Company is contained in the Application of the Company and the testimony and exhibits of Company witness Stratton.

On August 21, 1990, the Company filed an Application requesting approval of rate schedules designed to produce an increase in gross revenues of \$322,964. The Company's filing was based on a test period consisting of the twelve months ending December 31, 1989. The Commission Staff and the parties of record herein likewise offered their evidence generally within the context of that same test period.

A fundamental principle of the ratemaking process is the establishing of a test year period. The reliance upon the test year concept, however, is not designed to preclude the recognition and use of other historical data which may precede or postdate the selected twelve month period.

Integral to the use of a test year, representing normal operating conditions to be anticipated in the future, is the necessity to make normalizing adjustments in the historic test year figures. Only those adjustments which have reasonable and definite characteristics, and which tend to influence reflected operating experiences are made to give proper consideration to revenues,

expenses and investments. Parker v. South Carolina Public Service Commission, et. al., 280 S.C. 310, 313 S.E. 2d 290 (1984).

Adjustments may be allowed for items occurring in the historic test year, but which will not recur in the future; or to give effect to items of an extraordinary nature by either normalizing or annualizing such items to reflect more accurately their annual impact; or to give effect to any other item which should have been included or excluded during the historic test year. The Commission finds the twelve months ending December 31, 1989, to be the reasonable period for which to make our ratemaking determinations herein.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 AND 5

The evidence for the findings concerning the adjusted level of operating revenues is found in the testimony and exhibits of Commission Staff witness Sharpe.

The Staff proposed to increase fire protection revenue to reflect a normalized test year. The Commission finds that this adjustment is appropriate for ratemaking purposes and approves Staff's adjustment of \$4,217.

Therefore, for the purposes of this proceeding, the appropriate operating revenues for the Company for the test year under the present rates and after accounting and pro forma adjustments, are \$3,993,068.

Using the Commission's Finding of Fact No. 12 and the Evidence and Conclusions, infra., approving a 9.58% return on rate base, the Company's operating revenues after the approved increase are

\$4,316,801.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 6, 7, AND 8

Certain adjustments affecting expenses were included in the exhibits and testimony offered by witness Stratton for the Company, and witnesses Scott and Sharpe for the Commission Staff. This Order will address only the two accounting and pro forma adjustments affecting expenses which differed between the Company and the Commission Staff.

The Staff proposed to adjust income taxes for the effects of interest synchronization. The Commission finds that this adjustment is appropriate for ratemaking purposes and approves Staff's adjustment of \$252. The Staff also proposed to adjust customer growth for the effect of accounting and pro forma adjustments. The Commission again finds that this adjustment is appropriate for ratemaking purposes and approves Staff's adjustment of \$105.

The Commission will hereby adjust general taxes, and state and federal income taxes to reflect all adjustments approved herein. All accounting and pro forma adjustments proposed by the Staff and not objected to by any other party are hereby approved. All other adjustments proposed by any party inconsistent therewith have been reviewed by the Commission and found to be unreasonable or inappropriate for ratemaking purposes and are hereby denied.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 9 AND 10

Based on the Commission's determinations concerning the Accounting and Pro Forma adjustments to the Company's revenues and

expenses, and its determination as to the appropriate level of revenues and expenses, (see, Evidence and Conclusions for Finding of Facts No. 5 and 6) net income for return is found by the Commission as illustrated in the following Table:

TABLE A
NET INCOME FOR RETURN

| BEFORE RATE INCREASE | \$ |
|------------------------------|--------------------|
| Operating Revenues | \$3,993,068 |
| Operating Expenses | <u>3,084,698</u> |
| Net Operating Income | 908,370 |
| Interest During Construction | -0- |
| Customer Growth | <u>2,652</u> |
| Net Income for Return | <u>\$ 911,022</u> |
| Return on Rate Base | <u>7.87%</u> |
| AFTER RATE INCREASE | |
| Operating Revenues | \$4,316,801 |
| Operating Expenses | <u>3,210,870</u> |
| Net Operating Income | 1,105,931 |
| Interest During Construction | -0- |
| Customer Growth | <u>3,229</u> |
| Net Income for Return | <u>\$1,109,160</u> |
| Return on Rate Base | <u>9.58%</u> |

RATE ON RETURN ON RATE BASE

Based on the capital ratios of the Company as a whole, the following table indicates the return on common equity utilizing the cost of capital formula under the proposed rate schedules for the test year:

TABLE D

As of December 31, 1989

| | RATIO | EMBEDDED COST | OVERALL COST |
|-----------------|----------------|------------------|-----------------|
| Long-term Debt | 39.45% | 8.71% | 3.44% |
| Preferred Stock | 9.44% | 7.86% | .74% |
| Common Equity | <u>51.11%</u> | <u>10.57%</u> | <u>5.40%</u> |
| TOTAL | <u>100.00%</u> | | <u>9.58%</u> |

The above table indicates that after the proposed increase the Company will experience a return on common equity of 10.57%.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting these findings concerning proper methodology and level of cash working capital and proper items to be included in the Company's rate base can be found in the exhibits and testimony of Company witness Stratton and Commission Staff witness Scott. The rate base, as allocated to the Company's operations, is composed of the value of the Company's property used and useful in providing water and sewer service to the public, plus construction work in progress, materials and supplies, and an allowance for cash working capital and property held for future use; less accumulated depreciation, accumulated deferred income tax (liberalized depreciation) and customer deposits. The Accounting Department of the Administration Division of the Commission Staff, prior to the date of the hearing, conducted an audit and examination of the Company's books and records, including rate base items, with plant additions and retirements. On the basis of this

audit, the exhibits and the testimony contained in the entire record of the hearing, the Commission can determine and find proper balances for the components of the Company's rate base and other items.

The Commission's determinations relative to the Company's rate base for its water operations appear in the paragraphs below.

GROSS PLANT IN SERVICE

The Commission has traditionally used the regulatory accounting methodology recognized as "original cost less depreciation" in the determination of the value of a utility's plant in service. The record of the instant proceeding presents no justification for a departure from this methodology which was utilized by the Commission Staff in calculating the Company's system gross plant in service per books of \$19,217,310. The Commission Staff and Company proposed adjustments to Plant in Service to record the effects of transferring completed projects to plant in service. The Commission approves these adjustments of \$162,285. The net effect of these adjustments is to increase Gross Plant in Service by \$162,285. The Commission finds \$16,334,161 to be the appropriate figure for the Gross Plant in Service allocated to Anderson Water Operations.

ACCUMULATED DEPRECIATION

In determining the proper rate base for utilities, the Commission has consistently applied a methodology which reduces the figure for the gross plant used and useful in providing public service by a reserve for depreciation and amortization. This

reserve for depreciation and amortization for Duke's operations reflected a system "per book" figure of \$4,866,904.

With the adjustments previously approved herein, the Commission is of the opinion, and so finds, that the Company's per books reserve for depreciation and amortization for South Carolina operations of \$4,886,595 is appropriate. Consequently, the reserve for depreciation and amortization to be used for ratemaking purposes in the proceeding is \$4,009,310 allocated to Anderson Water Operations.

CONSTRUCTION WORK IN PROGRESS

This Commission has traditionally considered the reasonable and necessary costs of construction of utility plant not yet in service to be a proper rate base item. Such costs are described as construction work in progress. The Commission has uniformly allowed CWIP to be included in a utility's rate base with offsetting adjustment to operating income for return by that portion of the interest on funds used during construction attributable to the CWIP at the end of the test period.

In the instant proceeding, the Commission Staff and the Company proposed to reduce CWIP by \$162,285. See, depreciation discussion, supra, and Gross Plant in Service discussion. The Commission will adopt the amount of \$-0 for ratemaking purposes herein.

ANNUALIZED DEPRECIATION

The Commission Staff and the Company proposed to record the effects of annualizing depreciation expense. The Commission

approves Staff and Company's Jurisdictional adjustment of (\$16,445) as appropriate for ratemaking purposes.

The Company's rate base, as herein adjusted and determined by the Commission to be appropriate for the purposes of this proceeding, is set forth as follows:

TABLE B
ORIGINAL COST RATE BASE

| | |
|---|----------------------------|
| Gross Plant in Service | \$16,334,161 |
| Reserve for Depreciation and Amortization | (4,009,310) |
| Net Plant | <u>\$12,324,851</u> |
| Construction Work in Progress | -0- |
| Materials and Supplies | \$ 122,791 |
| Cash Working Capital Allowance | \$ 256,893 |
| Accumulated Deferred Income Taxes | (\$ 1,121,692) |
| Customer Deposits | <u>(\$ 6,870)</u> |
| TOTAL RATE BASE | <u><u>\$11,575,973</u></u> |

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

Under the guidelines established in the decisions of Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United State Supreme Court noted in the Hope Natural Gas decision, supra, the utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant

facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and...that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

Neither S.C. Code Ann., §58-5-290 (1976), nor any other statute prescribes a particular method to be utilized by the Commission to determine the lawfulness of the rates of a public utility. For ratemaking purposes, this Commission examines the relationships between expenses, revenues and investment in an historic test period because such examination provides a constant and reliable factor upon which calculation can be made to formulate the basis for determining just and reasonable rates. This method was recognized and approved by the Supreme Court for ratemaking purposes involving utilities in Southern Bell Telephone and Telegraph Co. v. The Public Service Commission of S.C., 270 S.C. 590, 244 S.E.2d 278 (1978).

After determination of a utility's rate base, the Commission compares revenues and expenses for the test year after accounting and pro forma adjustments, under various rate schedules, and selects rates which will yield a "fair return" on the rate base. Such rates are considered by this Commission to be just and reasonable under S.C. Code Ann., §58-5-290 (1976).

The Commission is mindful of those standards delineated in the Bluefield decision, supra, and of the balance between the

respective interest of the Company and of the consumer. The Commission has considered the spectrum of relevant factors in this proceeding, the revenue requirements for the Company, the proposed price for which the Company's service is rendered, the quality of that service, and the effect of the proposal upon the consumer, among others.

The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p.292.

The Commission has considered the proposed increase presented by the Company in light of the various standards to be observed and the interests represented before the Commission.

The Company provided the testimony of Mr. Snow who provided information concerning the substantial capital improvement program of the Company. Since September 30, 1985, Duke has invested approximately five million dollars in capital improvements and additions. Mr. Snow also testified that increased production demands created by customer growth over the past four year period

have caused operating expenses to increase.

The Commission must balance the interests of the Company -- the opportunity to make a profit or earn a return on its investment, while providing adequate water service -- with the competing interests of the ratepayers -- to receive adequate service at a fair and reasonable rate. In balancing these competing interests, the Commission has determined that the proposed schedule is appropriate for both the Company and its ratepayers.

It is incumbent upon the Commission to approve rates which are reasonable, not only producing revenues and return on rate base within a reasonable range, but which also distribute fairly the revenue requirements, considering the price for which the Company's service is rendered and the quality of that service. Based upon the record in the instant proceeding, the Commission concludes that the rates approved herein produce an operating margin of 25.69%, a return on rate base of 9.58% and a return on equity of 10.57%.

While the Commission is aware of the impact on the customers of granting additional annual revenues in the amount of \$323,733, the Company has provided justification for such an increase, and the schedule of rates and charges approved herein depict just and reasonable rates.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 13 AND 14

The Commission will spread the increase among the various services offered by the Company in the following manner:

The Company's retail rate schedules are grouped into three

main categories. The first of these categories, Metered Water Revenue, consists of residential service revenue, general service revenue, and industrial revenue. The Company requested to increase residential service revenue by \$146,806, or 10.02%, general service revenue by \$70,771, or 9.01%, industrial service revenue by \$38,218, or 8.11%. Resale Water Revenue, which consists of revenue generated by the sale of water to water districts and public utility firms or corporations located in the Company's service area excluding the towns of Clemson and Pendleton and Clemson University would be increased \$61,210, or 8.56%, under the Company's proposed rate schedule. Fire protection would increase \$6,290, which represents an overall increase of 9.40%. The total Anderson jurisdictional increase in revenue is 8.11%.

Based upon the record of this proceeding, the Commission finds that the proposed increases for each class of service are just and reasonable and should be approved.

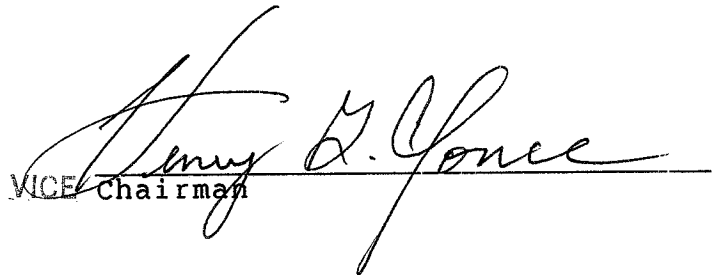
IT IS THEREFORE ORDERED:

1. That the schedules of rates and charges filed by Duke Power Company on August 20, 1990, and attached hereto as Appendix A, be, and hereby are, approved for service rendered on or after the date of this Order.
2. That should such schedules not be placed into effect within three (3) months of the effective date of this Order, such schedules as contained herein shall not be charged without written permission from the Commission.
3. That the Company shall maintain its books and records for

its water operations in accordance with the NARUC Uniform System of Accounts for Class A and B water utilities, as adopted by this Commission.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


VICE Chairman

ATTEST:


Executive Director

(SEAL)

DUKE POWER COMPANY

ORDER NO. 91-74 - DOCKET NO. 90-375-W
FEBRUARY 13, 1991
APPENDIX A

**RATE SCHEDULE NO. 1
RESIDENTIAL METERED WATER SERVICE**

AVAILABILITY

Available only to residential customers in individual residences, condominiums, mobile homes, or individually metered apartments, on the water mains of the Company's Anderson, S.C. Water System.

RATE

| | | |
|----------|--------------------------------------|--------|
| First | 200 cu. ft. or less per month | \$5.00 |
| Next | 1,800 cu. ft. per month, per hundred | 1.185 |
| All over | 2,000 cu. ft. per month, per hundred | 1.014 |

The above rates are fixed upon the basis that the Company shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Company, and upon the basis that the Company shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Company or otherwise. The demands of the fire department in the above named municipality shall be paramount to the requirements of other customers and the Company reserves the right to suspend the furnishing of water to customers whenever the fire department in said municipality may be using water to extinguish a fire or for any other purpose.

MONTHLY MINIMUM BILL BY METER SIZE

The following monthly minimum charges, by meter size, are applicable:

| | | |
|------------|-----------------------|---------|
| 3/4-inch | 200 cu. ft. or less | \$ 5.00 |
| 1-inch | 400 cu. ft. or less | 7.37 |
| 1 1/2-inch | 1,200 cu. ft. or less | 16.85 |
| 2-inch | 2,500 cu. ft. or less | 31.40 |

CONNECTION CHARGE

The following charges shall apply to all new service connections:

| | | |
|------------|----------------|----------|
| 3/4-inch | connection tap | \$420.00 |
| 1-inch | connection tap | 465.00 |
| 1 1/2-inch | connection tap | 770.00 |
| 2-inch | connection tap | 855.00 |

For service reconnections, a charge of \$5.00 will be made.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

The original term of this contract shall be one year, and thereafter until terminated by either party on thirty days' written notice.

SCHEDULE NO. 5 GENERAL METERED WATER SERVICE

AVAILABILITY

Available to the individual customer on the water mains of the Company's Anderson, S.C. Water System.

Service under this Schedule shall be used solely by the contracting Customer in a single enterprise, located entirely on a single, contiguous premises.

This Schedule is not available to the individual Customer who qualifies for a residential or industrial schedule; and water delivered hereunder shall not be used for resale.

The obligations of the Company in regard to supplying water are dependent upon the Customer securing and the Company retaining all necessary rights-of-way, privileges, franchises and permits, for the delivery of such water, and the Company shall not be liable to any customer or applicant for water in the event it is delayed in, or is prevented from furnishing the water by the Customer's failure to secure and the Company's ability to retain such rights-of-way, rights, privileges, franchises and permits.

RATE

| | | |
|----------|---------------------------------------|--------|
| First | 200 cu. ft. or less per month | \$4.62 |
| Next | 1,800 cu. ft. per month, per hundred | 1.114 |
| Next | 18,000 cu. ft. per month, per hundred | 1.000 |
| Next | 30,000 cu. ft. per month per hundred | .859 |
| All over | 50,000 cu. ft. per month, per hundred | .522 |

The above rates are fixed upon the basis that the Company shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Company, and upon the basis that the Company shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Company or otherwise. The demands of the fire department in the above named municipality shall be paramount to the requirements of other customers and the Company reserves the right to suspend the furnishing of water to customers whenever the fire department in said municipality may be using water to extinguish a fire or for any other purpose.

MONTHLY MINIMUM BILL BY METER SIZE

The following monthly minimum charges, by meter size, are applicable:

| | | |
|---|------------------------|---------|
| 3/4-inch | 200 cu. ft. or less | \$ 4.62 |
| 1-inch | 400 cu. ft. or less | 6.85 |
| 1 1/2-inch | 1,200 cu. ft. or less | 15.76 |
| 2-inch | 2,500 cu. ft. or less | 29.67 |
| 3-inch | 9,500 cu. ft. or less | 99.67 |
| 4-inch | 15,000 cu. ft. or less | 154.67 |
| 6-inch | 33,500 cu. ft. or less | 308.84 |
| over 6 inch to be stated in special contract. | | |

CONNECTION CHARGE

The following charges shall apply to all new service connections:

| | | |
|------------|----------------|----------|
| 3/4-inch | connection tap | \$420.00 |
| 1-inch | connection tap | 465.00 |
| 1 1/2-inch | connection tap | 770.00 |
| 2-inch | connection tap | 855.00 |

For service connections larger than 2 inches, actual construction cost, including paving, shall be charged.

For service reconnections, a charge of \$5.00 will be made.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each customer shall enter into a contract to purchase water from the Company for a minimum original term of one (1) year, and thereafter from year to year upon the condition that either party can terminate the contract at the end of the original term, or at any time thereafter, by giving at least sixty (60) days' previous notice of such termination in writing; but the Company may require a contract for a longer original term of years where the requirement is justified by the circumstances.

SCHEDULE NO. 7 INDUSTRIAL METERED WATER SERVICE

AVAILABILITY

Available only to establishments classified as "Manufacturing Industries" by the Standard Industrial Classification Manual, 1957 or later revision, published by The Bureau of the Budget, United States Government, and who are located on the water mains of the Company's Anderson, S.C. Water System.

Service under this Schedule shall be used solely by the contracting Customer in a single enterprise, located entirely on a single, contiguous premises.

This Schedule is not available for resale.

The obligations of the Company in regard to supplying water are dependent upon the Customer securing and the Company retaining all necessary rights-of-way, privileges, franchises and permits, for the delivery of such water, and the Company shall not be liable to any customer or applicant for water in the event it is delayed in , or is prevented from furnishing the water by the Customer's failure to secure and the Company's ability to retain such rights-of-way, rights, privileges, franchises and permits.

RATE

| | |
|---|--------|
| First 200 cu. ft. or less per month | \$4.75 |
| Next 1,800 cu. ft. per month, per hundred | 1.162 |
| Next 18,000 cu. ft. per month, per hundred | 1.026 |
| Next 30,000 cu. ft. per month, per hundred | .865 |
| Next 150,000 cu. ft. per month, per hundred | .570 |
| All over 200,000 cu. ft. per month, per hundred | .465 |

The above rates are fixed upon the basis that the Company shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Company, and upon the basis that the Company shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Company or otherwise.

The demands of the fire department in the above named municipality shall be paramount to the requirements of other customers and the Company reserves the right to suspend the furnishing of water to customers whenever the fire department in said municipality may be using water to extinguish a fire or for any other purpose.

MONTHLY MINIMUM BILL BY METER SIZE

The following monthly minimum charges, by meter size, are applicable:

| | | |
|---|------------------------|---------|
| 3/4-inch | 200 cu. ft. or less | \$ 4.75 |
| 1-inch | 400 cu. ft. or less | 7.07 |
| 1 1/2-inch | 1,200 cu. ft. or less | 16.37 |
| 2-inch | 2,500 cu. ft. or less | 30.80 |
| 3-inch | 9,500 cu. ft. or less | 102.62 |
| 4-inch | 15,000 cu. ft. or less | 159.05 |
| 6-inch | 33,500 cu. ft. or less | 327.12 |
| Over 6 inch to be stated in special contract. | | |

CONNECTION CHARGE

The following charges shall apply to all new service connections:

| | | |
|------------|----------------|----------|
| 3/4-inch | connection tap | \$420.00 |
| 1-inch | connection tap | 465.00 |
| 1 1/2-inch | connection tap | 770.00 |
| 2-inch | connection tap | 855.00 |

For service connections larger than 2 inches, actual construction cost, including paving, shall be charged.

For service reconnections, a charge of \$5.00 will be made.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each customer shall enter into a contract to purchase water from the Company for a minimum original term of one (1) year, and thereafter from year to year upon the condition that either party can terminate the contract at the end of the original term, or at any time thereafter, by giving at least sixty (60) days' previous notice of such termination in writing; but the Company may require a contract for a longer original term of years where the requirement is justified by the circumstances.

SCHEDULE NO. 2
FIRE PROTECTION SERVICE

AVAILABILITY

Available to all customers located on the water mains of the Company's Anderson, S.C. Water System.

RATE

- A. Sprinkler heads - Fire Protection, per sprinkler head, per month \$.0471
- B. Hydrant Service (Indoor Risers)*
Per hydrant per month
 - 1 inch: \$2.3541
 - 1 1/2 inch: \$5.2973
 - 2 inch: \$9.4166
- C. Hydrant Service (Outdoor)*

Per hydrant per month \$9.5000

*Other than Municipal Hydrant Service

No connections other than those for fire protection shall be made under this schedule and no water shall be used thereunder except for fire protection and the necessary test required for such protection.

The above rates are fixed upon the basis that the Corporation shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Corporation, and upon the basis that the Corporation shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Corporation or otherwise.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Corporation. Bills are past due and delinquent on the fifteenth day after the date of the bill. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each customer shall enter into a contract to purchase water from the Corporation for a minimum original term of one (1) year, and thereafter from year to year upon the condition that either party can terminate the contract at the end of the original term, or at any time thereafter by giving at least sixty (60) days' previous notice of such termination in writing; but the Corporation may require a contract for a longer original term of years where the requirement is justified by the circumstances.

SCHEDULE NO. 11 RESALE SERVICE

AVAILABILITY

Available for resale purposes to water districts and public utility firms or corporations located on the Company's water mains, south of Six and Twenty Mile Creek, in the vicinity of the city of Anderson, S.C.

RATE

\$.723 for each 1,000 gallons

The above rate is fixed upon the basis that the Company shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Company, and upon the basis that the Company shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Company or otherwise. The demands of the fire department in the above named municipality shall be paramount to the requirements of other customers and the Company reserves the right to suspend the furnishing of water to customers whenever the fire department in said municipality may be using water to extinguish a fire or for any other purpose.

MONTHLY MINIMUM BILL

A monthly minimum bill may be set in each individual contract and shall be based on the estimated amount of water to be supplied.

CONNECTION CHARGE

The total cost of each new connection shall be paid for by the customer and shall be the property of the water company.

PAYMENT

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one percent (1%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and due and payable with the bill on which it is rendered.

CONTRACT

All contracts for the sale of water under this Schedule shall be substantially in accordance with the form of contract filed with the Commission. The conditions contained in this Schedule are to be accepted as general information only; the rights and obligations of both parties being set forth in the contract.

***SCHEDULE NO. 12**

***Schedule No. 12 was approved on June 20, 1989 by Commission Order No. 89-627 in Docket No. 88-710-W.**

AVAILABILITY -- Available for resale purposes to water districts, municipalities and public utility firms or corporations located on the Company's water mains north of Six ans Twenty Mile Creek, in the vicinity of the towns of Clemson and Pendleton, S.C. and Sandy Springs Water District.

RATE: \$.9156 for each 1,000 gallons

The above rate is fixed upon the basis that the Company shall not be liable for any loss or damage resulting from any failure to furnish water when such failure is wholly or partially due to any cause reasonably beyond the control of the Company, and upon the basis that the Company shall not, in any event, be liable for any loss, damage or injury by fire due to any failure or alleged failure on its part to furnish water, whether such failure shall be due to the act or omission of the Company or otherwise. The demands of the fire department in the above named municipality shall be paramount to the requirements of the customer and the Company reserves the right to suspend the furnishing of water to customers whenever the fire department in said municipality may be using water to extinguish a fire or for any other purpose.

MONTHLY MINIMUM BILL: A monthly minimum bill may be set in each individual contract and shall be based on the estimated amount of water to be supplied.

CONNECTION CHARGE: The total cost of each new connection shall be paid for by the customer and shall be the property of the water company.